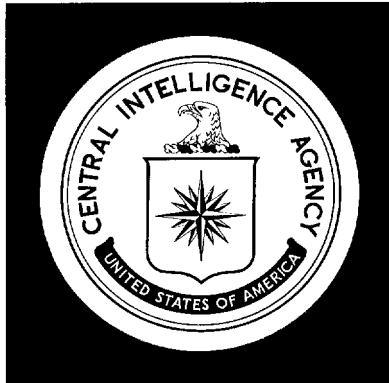


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EGYPT-US: President Sadat again has expressed his resentment over the failure of the US to persuade Israel to match concessions he claims to have made. He accompanied this statement with a threat against US interests in the Middle East.

In a conversation with former UN Ambassador Charles Yost on 10 June, Sadat gave further evidence of his frustration at the lack of diplomatic progress in resolving the Arab-Israeli dispute, blaming Washington for the impasse. Sadat claimed that the US has abandoned its efforts to find a peaceful way to liberate Egyptian territory and that because it is difficult for Egypt to harm the Israelis effectively, the US may become the target of Arab actions. He warned that if peace did not come soon, US materiel interests and personnel throughout the Arab world will suffer. Sadat tempered this statement, however, by saying that if Israel's occupation of Arab territory ended, nothing would stand in the way of excellent relations between Cairo and Washington.

Egyptian frustration over the lack of movement in the political arena and unhappiness with US actions in the Middle East have been growing in recent months. Sadat feels that he has made significant concessions in the search for peace and is reluctant to go further, at least until Tel Aviv softens its present stance. Cairo's conviction that Washington could do more to persuade Israel to offer settlement terms the Arabs could accept also has been expressed on a number of occasions. With few other options available, Sadat probably hopes that the threat of Arab action against US interests in the Arab world will impel Washington to play a more active and constructive role in the settlement process.

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PERU: The relatively positive relations that have prevailed between the US and Peru for the past two years may suffer a downturn as a result of recent Peruvian actions that have reopened strains between the two countries.

Late last month the Peruvian Government took the final legal steps expropriating the International Petroleum Company without compensation. Secret negotiations that could have resolved the three-year-old impasse with the US collapsed after press leaks aroused Peruvian nationalist sensitivities and threatened to embarrass politically the military regime. Moreover, Peruvian courts have recently ruled against two other US businesses in cases involving millions of dollars in back tax claims.

One reason for these actions is Peruvian resentment over US efforts to secure compensation for the oil company. The Peruvians see the US as penalizing them by seeking to prevent multilateral lending institutions from meeting Peruvian requests.

Another factor may be growing confidence on the part of Peru that it has access to alternative sources of financing for its economic development. Peru has promises of credits from Japan, West Germany, France, Spain, the Soviet Union, and China. A high-level Soviet delegation arrived in Peru last week to discuss economic and technical cooperation in the mining and petroleum fields. In addition, recent oil strikes in the Amazon lowlands may ultimately provide a major source of funds.

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